

# FISCAL NOTE

## SB 2465

February 12, 2006

**SUMMARY OF BILL:** Increases the annual Hall Income Tax (HIT) standard income exemption level for taxpayers sixty-five years of age or older from \$16,200 to \$30,000 for single filers and from \$27,000 to \$45,000 for joint filers.

### ESTIMATED FISCAL IMPACT:

**Decrease State Revenues - \$875,000 FY08 and thereafter**

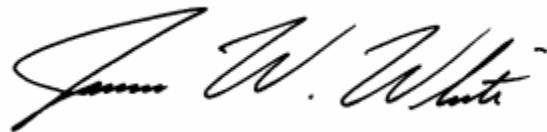
**Decrease Local Govt. Revenues - \$525,000 FY08 and thereafter**

Assumptions:

- Current state law levies the HIT on income derived from stock dividends and bond interest.
- Each person, partnership, association, trust and corporation within the state who receives, accrues, or is otherwise credited during any year income from the above sources shall pay a six percent tax on such income.
- FY06-07 budget estimate for HIT revenue is \$175.2 million.
- The Department of Revenue (DOR) estimates that 0.8% of all HIT revenue is derived from taxpayers meeting the age and income criteria specified.
- The total decrease in HIT revenue as a result of the enactment of this legislation is estimated at \$1,400,000 ( $\$175.2 \text{ million} \times 0.8\% = \$1,401,600$ ).
- Current law distributes five-eighths (62.5%) of all HIT revenue to the state's general fund and the remaining three-eighths (37.5%) among the cities and counties of the state.
- Net decrease to state revenues is estimated at \$875,000 ( $\$1.4 \text{ million} \times 62.5\% = \$875,000$ ).
- Net decrease to local government revenues is estimated at \$525,000 ( $\$1.4 \text{ million} \times 37.5\% = \$525,000$ ).
- Because the majority of HIT revenues are received during the April filing season for the previous tax year, and this act taking effect January 1, 2007, the impact of this legislation would not occur until FY08.

### CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director